

Can you scale financial planning?

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As part of an ongoing series of articles exploring the challenges and opportunities with the advice community, John Porteous, Head of Distribution at Macquarie asks the question, can you scale financial planning?



As the financial planning community looks towards the nature of planning relationships and client engagement as a key differentiator, the question is – can the look and feel of truly bespoke Wealth Management be replicated on any meaningful scale within a profitable business model?

Clearly, much of this depends upon the definition of “financial planning” as a practical concept. Whilst certain professional bodies such as the Institute of Financial Planning offer very helpful and descriptive text around what this means in practice, it is not universally acknowledged as a standard across all advisers within the UK. As a consequence, there is an interesting trade off between the financial planning service that firms can offer and the ability to construct a sustainable environment for this to be delivered to an increasing number of clients.

Whilst some practitioners may assert that a true financial planning relationship is one that exists at a very personal level and as such cannot be replicated without compromise – others are seeking to build firms or brands of size where the client experience is planning centric but within a more process oriented framework.

At the heart of this debate sits a number of fundamental questions.

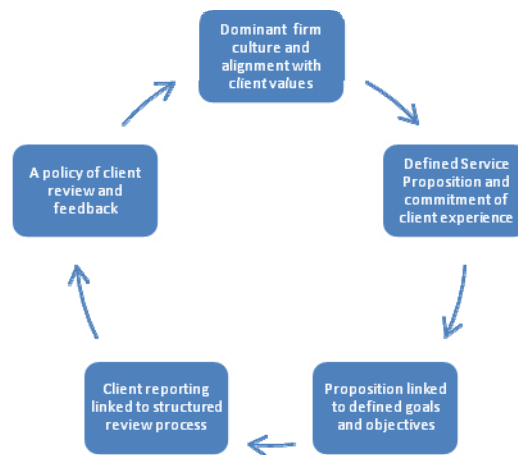
1. Is financial planning an art or a science to the firm in question?
2. Is the client experience and/or proposition process driven?
3. What is the delivery mechanism of the proposition?
4. Repeatability of outcomes?
5. Consistency of delivery by different staff?
6. Ability to leverage fixed costs?
7. Ability to market the firms proposition rather than an advisers personality?

The answer to each point will be heavily influenced by the leadership of the firm, their advice philosophy and the skill set of the staff.

So, where does that leave those firms seeking to position their proposition as being planning rather than transaction driven and grow this substantially over the years to come?

Arguably, the exact definition of what a comprehensive financial planning relationship looks like is irrelevant provided that the firm approaches the client engagement from the perspective of the client experience.

Figure 1 – Example of a firms “planning philosophy”



Perhaps the most powerful tool that a practice can leverage in scaling the client engagement piece is around the credentials and credibility of the firm itself as opposed to the skills of the individual planner. This has historically been a thorny issue for larger firms (or those operating a largely self employed model) as it flies in the face of the traditional mantra of “a people business” defined as individuals doing things in an individual way, however, the RDR has prompted management to consider the wider issue of client ownership and how this fits in with the high level principles of TCF.

The challenge here is institutionalising or ingraining a culture of behaviours that are upheld through all client facing and support staff. For example, in Stephen Gresham’s book *“The value of advice”* four important principles are summarised to describe the role of the financial adviser in life planning.

1. Be available
2. Be concerned
3. Be informed
4. Have an opinion

Without question, these attributes can be very powerful when supported by a robust infrastructure within an organisation that can assimilate and filter the appropriate information to compliment client reporting and communication. Of course, the trick is to ensure that this is delivered in an environment of consistency and with an outcome focus in a repeatable delivery mechanism – a challenge to those firms who do not build a shared vision around client service and how this should be delivered. This theme is expanded in the PWC Private Banking/Wealth Management Survey 2009, where putting the client at the heart of the service proposition, providing objective advice and possessing a strong brand – within a framework of process efficiency - were identified as key to success.

Underpinning any larger organisation, where perhaps there is greater control and definition of the investment or service structure, must be a desire for client facing advisers to maximise their time with clients.

This raises a number of questions for business owners.

How do you make sure that these relationships are commercially viable?

As the old saying goes, *“if you don’t change the process you will always get the same outcome”*. Where an existing relationship has been set up on a basis that does not reflect the commercial reality of providing on ongoing service there are some challenges in relation to transitioning this relationship unless there is some demonstrable incentive for the client. This could be in service structure, improved insight or even access to technical expertise or events. Clearly, this is one side of the coin and must be supported by an appropriate charging structure, for example, by means of minimum/defined fee agreements or bespoke contractual client engagement. Importantly, whatever pricing mechanism is employed there needs to be a clear link between charging, activity and outcome. This link will be more opaque in the eyes of the client if the proposition is presented at a transactional level (or worse still, the negotiations will quickly move onto a price rather than value footing). Arguably, if the relationship and planning culture is sufficiently compelling then a new charging regime could even be applied without the traditional end game of transitioning assets – unless this approach then supports a new and improved service delivery.

What are the advisers actually talking about?

Spending more time with clients is only really a productive enterprise if that interaction is constructive from the client perspective and consistent in message from a firm’s point of view. A good illustration of this is expanding the scope of engagement (say from retirement planning into IHT guidance). Each client review is also an excellent opportunity to reinforce the “house” view on certain investment or financial developments or perhaps even introduce other technical expertise and thereby broaden the client relationship. The ongoing review process is an ideal platform for demonstrating value and supporting any changes to charging. It can be very powerful to develop a better understanding of preferred communication styles and then incorporate into the ongoing relationships – such as email or even webcasts. An effective way of showing a real understanding of the unique requirements of clients is detailed segmentation of communication and to execute this – especially in relation to investment matters – in a timely manner (otherwise news/views are always reflective rather than proactive). A key metric for business owners is a clear understanding of how adviser time is spent and whether this is consistent with any client segmentation exercise?

How is this activity supported by a brand profile?

As previously mentioned, a real hot topic at present is the issue of client ownership – which is another critical point in scaling the financial planning environment. With a regulatory environment which is influenced by outcomes and typified by the TCF regime, so more firms will adjust their relationship with advisers away from being just a “hub” for registration and administrative support in favour of a more defined and branded approach. Essentially, with the regulatory buck stopping in the board room, it is difficult to see a barristers chambers business model thriving going forward.

This last point is an interesting play on the Art v Science debate in so far as successful financial planners are very creative within a framework of agreed goals and objectives. However, in order to support this relationship it is important to deliver solutions that stand up to scrutiny in terms of due diligence and overall strategic fit.

In conclusion, the ability to scale a financial planning business within a profitable organisation is heavily influenced by the way that the business leadership position their offering and empower their advisers within the limitations of a compelling service proposition.

Whilst there is no magic formula, the following points offer useful insight in helping business owners grow their financial planning business beyond its organic base.

1. Make sure that the client expectation/engagement is matched by the adviser's delivery.
2. Define what financial planning means – do all the advisers understand how this influences and shapes client engagement?
3. Accommodate a consistent and compelling culture (*this is how we do things around here*) which supports desired client outcomes and measure adherence and support of it
4. Fully utilise technology designed to underpin adviser activity with better reporting and direct client access effectively leveraging fixed costs.
5. Train in the changes at all levels of the business (adviser, paraplanner, administration etc) and support behaviours with appropriate KPI's and incentives.
6. Use training & competency to influence and embed behaviours against an ABP (Always Be Planning) benchmark.
7. Ask your clients if you are delivering the client experience that you aspire to.

As Peter Drucker says "*the greatest danger in times of turbulence is not the turbulence; it is to act with yesterdays logic*", It will be fascinating to see how the advisory profession evolves over the coming years to harness and leverage its best ideas to a wider audience.

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